ACID TEST

(1) State whether following statements are true or false:

a. When information system audit is an information technology audit, the auditor is required to have the detailed knowledge of accounting rather than information system.

b. Information system audit is the audit of the accounting controls.

c. At the time of preparing information system audit program, auditor must understand the system.

d. Audit in the case of Electronic Data Exchange is a difficult task.

e. Auditor should test check controls established to reduce the risk associated with e-commerce transactions.

(2) What is information system audit? Explain the audit procedure in system audit to determine the material losses.

(3) Define computer information system audit and explain the nature of risks and internal control characteristics in CIS environment.

(4) Write short notes on-

a. Types of IT audit

b. System audit

c. Computer audit

d. Input controls

e. Processing controls

f. AAS-29

(5) What is computer assisted audit technique? Explain the different computer assisted techniques available.

(6) What is CIS audit? Explain its application in case of E-commerce.

(7) Explain:

a) Audit in online system environment.

b) Audit in case of environment of personal computer.

(8) Define management audit. Discuss need of management audit.

(9) What are the advantages and limitation of management Audit?

ACID TEST

Q.No. 1 :- State with reasons whether the following statement are TRUE or FALSE.

(i) Internal Audit is entrusted to the employees of the organization.

(ii) When there is a Statutory Audit, introduction of Internal Audit is not necessary at all.

(iii) Evaluation of the performance is called as operational audit.

(iv) To examine whether the transactions have been done in conformity with the established standard is nothing but the proprietary Audit.

(v) Certified statements showing turnover of the company fall under the category of the compliance audit

(vi) The companies (Auditor's Report) order 2003 applies to all companies.

(vii) The CARO extend the scope of audit even further than that of traditional approach.

(viii) To be successful, the internal audit department must have adequate management support.

(ix) Audit to internal audit function is considered necessary.

(x) Statistical sampling in Auditing relieues an auditor from the load of work but not from the risk.

(xi) Internal Audit is similar to that of internal control.

(xii) Internal check is necessary only to comply with the provisions of the CARO

(xiii) Audit Committee is only the luxury to the company.

(xiv) Detection of frauds is the duty of the Statutory Auditor and not necessarily that of an internal auditor.

Q.No. 2 :- What is an Internal Audit ? Explain the necessity and scope of Internal Audit.

Q.No. 3 :- Write short notes. :-

(i) Financial Audit And Operational Audit.

(ii) Efficiency Audit and Propriety Audit.

(iii) Voucher Audit and Compliance Audit

(iv) Audit Programme and Audit Note Book

Q.No. 4 :- What do you mean by CARO ? Explain what is expected under the CARO regarding

(a) Inventory

(b) Internal Audit

(c) Internal Control

(d) Deposit of Statutory Dues.

(e) Frauds

Q.No. 5 :- As an Internal Auditor, how would you examine the payment of wages and salaries.?

Q.No. 6 :- As an Internal Auditor, explain in detail the verification of Inventory Control System.

Q.No. 7 :- Write short notes. :-

(a) Flow chart

(b) Statistical sampling in Auditing

(c) Internal Auditor and Internal Control.

Q.No. 8 :- What is an Internal Audit ? Explain the constituents of field work of Internal Audit.

Q.No. 9 :- What do you mean by an Audit Report ? Explain the different techniques of effective reporting.

Q.No. 10 :- Define Internal Audit and explain in detail the role of Internal Auditor in investigation of frauds.

Q.No. 11 :- What is Audit comunitive, what is the scope and function of suhit comunitive?

ACID TEST

Q.1. State with reasons whether following statements are true or false.

1. Items in the profit and loss account are verified from the ledger balances and this is sufficient to verify the correctness of Profit or Loss.
2. Comparing the voucher with the transaction recorded in the book of original entry is called as vouching.
3. While verifying the Sales appearing in the profit and loss account it is important that auditor, first of all should carefully verify the effectiveness of existing internal check system.
4. To verify the excisable value and calculation of duty the auditor checks the Daily Stock Account.
5. Only the vouching to ascertain the arithmetical accuracy is not enough
6. When proper purchase order, voucher, tenders etc., are available then auditor should not waste his time in checking concerned board resolution while verifying Plant and Machinery purchase.
7. Auditor is not required to get the inventory valuation certified by the company's management; he himself is qualified to ascertain the value.
8. Auditor is a watchdog and not a bloodhound.
9. Reserve not appearing on the balance sheet is a secret Reserve and an auditor is not supposed to verify it.
10. Section 210A of the Companies Act, deals with the constitution of National Advisory Committee on Accounting Standards.
11. All members of Accounting Standard Committee are the members of the Institute of Chartered Accountants of India.
12. The form of Balance Sheet given in Schedule VI of the Companies Act does not apply to the Insurance Companies, Banking companies and Electricity Companies.
13. Auditor opting for the statistical sampling makes a big mistake.
14. Auditor should not depend on the results derived from Ratio Analysis as the ratios are offspring of the "Statistics", which is not a perfect science.
15. Auditor, for proper reporting, avail of the Inter Firm as well as Intra firm comparison.

Q.No.2. How would you verify the following items –

(i) Sales
(ii) Wages
(iii) Retirement benefits
(iv) Excise Duty
(v) Commission Received

Q.No.3. How would you verify the following items –

(i) Plant and Machinery
(ii) Goodwill
(iii) Investments
(iv) Sundry Debtors
(v) Stock in Trade

Q.No.4. Throw light on any of the following Two Case-Laws-

(i) Kingston Cotton Mill Co. Ltd., (C1896) (2CH 729)
(ii) Deputy Secretary, Ministry of Home Affairs Vs. S.N. Das Gupta
(iii) Irish Woolen Co. Ltd., Vs. Tyson and Other (1900)

Q.No.5 What do you mean by the Disclosure of Accounting Policies and Practice – discuss in brief.

Q.No.6 Write Short Notes on –

(i) Expenditure during the period of construction
(ii) Adjustments for previous year
(iii) Books of Accounts to be kept by companies

Q.No.7. What is "Statistical Sampling"? What are the methods of Statistical Sampling to be used in auditing and explain how the results of sampling are evaluated?

Q.No.8. PUNE LTD., BALANCE – SHEET AS AN 31.03.2007

LIABILIITES		Rs.	ASSETS	Rs.
Equity Share Capital		2,00,000	Goodwill	1,20,000
Capital Reserve		40,000	Fixed Assets	2,80,000
8% Loan on Mortgage		1,60,000	Stock	60,000
Trade Creditors		80,000	Debtors	60,000
Bank Overdraft		20,000	Investments	20,000
Taxation – current		20,000	Cash in Hand	60,000
Profit and Loss Account				
Profit after taxation and				
Interest	1,20,000			
Less, Transfer	(40,000)	80,000		
		6,00,000		**6,00,000**

Sales amount to Rs.12,00,000

You are required to calculate Ratios for Testing –

(i) Liquidity or Short Term Solvency
(ii) Long tem Solvency
(iii) Profitability
(iv) Capital Gearing

Q.No.9. What are Trend analysis, Inter firm comparison and Intra-firm comparison? How can these be made useful while carrying on an audit assignment.

ACID TEST

Q1. State with reasons, whether following statements are true or false:

(i) The concept of evidence is fundamental to all auditing situations as an auditor basically seeks to obtain sufficient appropriate evidence to form his opinion.

(ii) In all auditing situations, the only evidence available to the auditor is books of accounts and vouchers.

(iii) Not only statutory provisions but also technology and economic changes have influenced auditing to a great extent.

(iv) The decisions given by Hon. Courts in different cases do not affect the Generally Accepted Accounting and Auditing Practices and Standards.

(v) Auditing is generally associated with only accounting and financial records.

(vi) The scope of audit depends upon the nature of appointment.

(vii) The statutory audit provides the best means of enhancing the credibility of the accounts.

(viii) Auditor cannot gather sufficient appropriate audit evidence without performance of compliance and substantive tests.

(ix) Inspection and observation are not only the ways to obtain audit evidence.

(x) US-GAAP are not different than that of INDIA-GAAP.

(xi) Percentage test and past trends are the only criteria to establish the materiality of an item in financial statements.

(xii) The risk that the auditor gives an inappropriate audit opinion when the financial statements are materially misstated is called as an "audit risk".

Q2. What is Auditing? Explain the evolution on auditing.

Q3. Define "audit". What are the factors which drastically changed the present day auditing practice and auditor's responsibilities?

Q4. Write short notes on:

(a) Nature of auditing
(b) Change in scope of auditing
(c) Auditing and Assurance Standard no. 1
(d) Compliance Procedure
(e) Substantive Procedure

Q5. What is audit evidence? Explain the different types of audit evidence and different methods of obtaining them.

Q6. "Audit Technique is the device available to the auditor for obtaining competent evidential matter". Explain.

Q7. Write short notes on:
(a) Audit procedure
(b) Audit practices
(c) IFRS
(d) GAAS
(e) Concept of materiality in auditing
(f) Materiality and Audit Risk

Q8. "Audit practices demands the thorough knowledge of different legal provisions and different pronouncements"- Discuss.

Q9. Explain the important contents of US-GAAP.

Q10. Explain the important contents of INDIA-GAAP.